

# HOUSE BILL No. 6283

June 29, 2006, Introduced by Reps. Kahn, Hune, Stewart, Newell, Gaffney, David Law and Jones and referred to the Committee on Health Policy.

A bill to amend 1939 PA 280, entitled  
"The social welfare act,"  
(MCL 400.1 to 400.119b) by adding section 105b.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1        SEC. 105B. (1) THE DEPARTMENT OF COMMUNITY HEALTH SHALL  
2        DEVELOP, CERTIFY, AND IMPLEMENT ACTUARIALLY SOUND RATES FOR ALL  
3        PAYMENTS TO MEDICAID HEALTH PLANS UNDER THE MEDICAID MANAGED CARE  
4        PROGRAM. THE DEPARTMENT OF COMMUNITY HEALTH'S CERTIFICATION PROCESS  
5        SHALL INCORPORATE THE FOLLOWING DEFINITION: "ACTUARIALLY SOUND  
6        RATES" MEANS MEDICAID HEALTH PLAN CAPITATION RATES THAT HAVE BEEN  
7        DEVELOPED IN ACCORDANCE WITH THE FEDERAL REQUIREMENTS FOR ACTUARIAL  
8        SOUNDNESS, AND INCLUDE, FOR THE PERIOD COVERING THE RATE  
9        CERTIFICATION, AN ANALYSIS OF PROJECTED PREMIUMS, INCLUDING  
10       EXPECTED REINSURANCE AND GOVERNMENTAL STOP-LOSS CASH FLOWS,

1 GOVERNMENTAL RISK ADJUSTMENT CASH FLOWS, AND INVESTMENT INCOME, AND  
2 PROVIDE FOR ALL REASONABLE, APPROPRIATE, AND ATTAINABLE COSTS,  
3 INCLUDING HEALTH BENEFITS, HEALTH PLAN MATERNITY CASE RATE  
4 UTILIZATION COSTS, PROPOSED OR PLANNED BENEFIT CHANGES, HEALTH  
5 BENEFIT SETTLEMENT EXPENSES, MARKETING AND ADMINISTRATIVE EXPENSES,  
6 SUBROGATION RECOVERIES, STATE-MANDATED ASSESSMENTS AND TAXES, AND  
7 THE COST OF CAPITAL INCLUDING PROVISIONS FOR RISK AND CONTINGENCY  
8 CHARGES. PROJECTED HEALTH BENEFIT COSTS SHALL INCLUDE REASONABLE  
9 ASSUMPTIONS RELATIVE TO TRENDS IN THE UTILIZATION AND COST OF  
10 MEDICAL SERVICES ESTABLISHED WITHOUT REGARD TO OR IN ANY OTHER WAY  
11 BIASED BASED ON A CONSIDERATION OF STATE BUDGETARY CONSTRAINTS.

12 (2) AN ACTUARY WHO MEETS THE QUALIFICATION STANDARDS OF THE  
13 AMERICAN ACADEMY OF ACTUARIES SHALL PROVIDE THE CERTIFICATION.

14 (3) THE DEPARTMENT OF COMMUNITY HEALTH'S CERTIFICATION PROCESS  
15 SHALL USE A UNIFORM AND CONSISTENT CAPITATION RATE DEVELOPMENT  
16 METHODOLOGY BY INCORPORATING AGGREGATE DATA THAT SHALL INCLUDE, AT  
17 A MINIMUM, ALL OF THE FOLLOWING:

18 (A) FINANCIAL FILINGS MADE BY ALL MEDICAID HEALTH PLANS FOR  
19 THE MOST RECENT 24 MONTHS PRECEDING THE DATE THE RATE WAS  
20 ESTABLISHED BY THE DEPARTMENT OF COMMUNITY HEALTH.

21 (B) DATA AVAILABLE TO DEVELOP RATES FOR ALL COVERED  
22 POPULATIONS, INCLUDING FEE-FOR-SERVICE DATA FOR THE OVERALL  
23 PROGRAM.

24 (C) FEE-FOR-SERVICE DATA FOR THE 12 MONTHS PRECEDING  
25 RECIPIENTS' ENROLLMENT IN A MANAGED CARE ORGANIZATION.

26 (D) THE AGGREGATE ENCOUNTER DATA FROM ALL MEDICAID HEALTH  
27 PLANS FOR VOLUNTARY AND MANDATORY ENROLLMENT POPULATIONS.

1           (4) THE PROPOSED ACTUARIAL CERTIFICATION RATES SHALL BE  
2 ACTUARIALLY SOUND IN RATE CELLS SPECIFIC TO THE ENROLLED  
3 POPULATION, INCLUDING, BUT NOT LIMITED TO, ELIGIBILITY CATEGORY,  
4 AGE, GENDER, AND REGION.

5           (5) THE DEPARTMENT OF COMMUNITY HEALTH SHALL PUBLISH A REPORT  
6 FOR PUBLIC DISCLOSURE THAT EXPLICITLY AND CLEARLY EXPLAINS ALL  
7 ACTUARIAL ASSUMPTIONS, METHODOLOGIES, SOURCE OF DATA, PREMISES, AND  
8 CALCULATIONS, USED IN DEVELOPING STATEWIDE RATES FOR MEDICAID  
9 HEALTH PLANS. THE REPORT SHALL BE PUBLISHED REGARDLESS OF  
10 PROPRIETARY RIGHTS AND PROTECTIONS OTHERWISE AVAILABLE TO THE  
11 PERSON OR ENTITY RESPONSIBLE FOR DEVELOPING THE STATEWIDE RATES FOR  
12 MEDICAID HEALTH PLANS.

13           (6) THE DEPARTMENT OF COMMUNITY HEALTH SHALL ALSO PUBLISH THE  
14 PROPOSED ACTUARIAL CERTIFICATION UNDER THIS ACT. THE PROPOSED  
15 CERTIFICATION SHALL OCCUR AT LEAST 90 DAYS BEFORE THE BEGINNING OF  
16 THE FISCAL YEAR FOR WHICH THE CERTIFIED RATES APPLY. BEFORE  
17 PUBLICATION OF THE PROPOSED ACTUARIALLY SOUND CERTIFICATE, THE  
18 DEPARTMENT OF COMMUNITY HEALTH SHALL ESTABLISH A REVIEW PERIOD OF  
19 NOT LESS THAN 30 DAYS OR EQUAL TO THE AMOUNT OF TIME THE DEPARTMENT  
20 OF COMMUNITY HEALTH USES AS A REVIEW PERIOD FOR PROMULGATION OF ITS  
21 MEDICAID POLICY, WHICHEVER IS GREATER, FOR THE PURPOSE OF ALLOWING  
22 A PERSON OR AN ENTITY THE OPPORTUNITY TO SUBMIT A WRITTEN OBJECTION  
23 TO THE DEPARTMENT OF COMMUNITY HEALTH REGARDING THE BASIS,  
24 METHODOLOGY, OR CONCLUSIONS OF THE PROPOSED ACTUARIAL  
25 CERTIFICATION.